APPENDIX A.

Extracts From the Agricultural Adjustment Act of 1938.

"Sec. 2. It is hereby declared to be the policy of Congress to continue the Soil Conservation and Domestic Allotment Act, as amended, for the purpose of conserving national resources, preventing the wasteful use of soil fertility, and of preserving, maintaining, and rebuilding the farm and ranch land resources in the national public interest; to accomplish these purposes through the encouragement of soil-building and soil-conserving crops and practices; to assist in the marketing of agricultural commodities for domestic consumption and for export; and to regulate interstate and foreign commerce in cotton, wheat, corn, tobacco, and rice to the extent necessary to provide an orderly, adequate, and balanced flow of such commodities in interstate and foreign commerce through storage of reserve supplies, loans, marketing quotas, assisting farmers to obtain, insofar as practicable, parity prices for such commodities and parity of income, and assisting consumers to obtain an adequate and steady supply of such commodities at fair prices."

* * * * * * *

"Sec. 302. (a) The Commodity Credit Corporation is authorized, upon recommendation of the Secretary and with the approval of the President, to make available loans on agricultural commodities (including dairy products). Except as otherwise provided in this section, the amount, terms, and conditions of such loans shall be fixed by the Secretary, subject to the approval of the Corporation and the President."

* * * * * * *

"(c) The Corporation is directed to make available to cooperators loans upon cotton during any marketing year beginning in a calendar year in which the average price on

August 1 of seven-eighths Middling spot cotton on the ten markets designated by the Secretary is below 52 per centum of the parity price of cotton on such date, or the August crop estimate for cotton is in excess of a normal year's domestic consumption and exports, at rates not less than 52 per centum and not more than 75 per centum of the parity price of cotton as of the beginning of the marketing year. In case marketing quotas for cotton are in effect in any marketing year, the Corporation is directed to make available, during such marketing year, to noncooperators, loans upon cotton at 60 per centum of the rate applicable to cooperators. A loan on cotton to a noncooperator shall be made only on so much of his cotton as would be subject to penalty if marketed."

* * * * * * *

"(f) For the purposes of subsections (b), (c), and (d), a cooperator shall be a producer on whose farm the acreage planted to the commodity for the crop with respect to which the loan is made does not exceed the farm acreage allotment for the commodity under this title, or, in the case of loans upon corn to a producer outside the commercial corn-producing area, a producer on whose farm the acreage planted to soil-depleting crops does not exceed the farm acreage allotment for soil-depleting crops for the year in which the loan is made under the Soil Conservation and Domestic Allotment Act, as amended. For the purposes of this subsection a producer shall not be deemed to have exceeded his farm acreage allotment unless such producer knowingly exceeded his farm acreage allotment."

* * * * * * *

"(h) No producer shall be personally liable for any deficiency arising from the sale of the collateral securing any loan under this section unless such loan was obtained through fraudulent representations by the producer."

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"Sec. 341. American cotton is a basic source of clothing and industrial products used by every person in the United States and by substantial numbers of people in foreign countries. American cotton is sold on a world-wide market and moves from the places of production almost entirely in interstate and foreign commerce to processing establishments located throughout the world at places outside the State where the cotton is produced.

"Fluctuations in supplies of cotton and the marketing of excessive supplies of cotton in interstate and foreign commerce disrupt the orderly marketing of cotton in such commerce with consequent injury to and destruction of such commerce. Excessive supplies of cotton directly and materially affect the volume of cotton moving in interstate and foreign commerce and cause disparity in prices of cotton and industrial products moving in interstate and foreign commerce with consequent diminution of the volume of such commerce in industrial products.

"The conditions affecting the production and marketing of cotton are such that, without Federal assistance, farmers, individually or in cooperation, cannot effectively prevent the recurrence of excessive supplies of cotton and fluctuations in supplies, cannot prevent indiscriminate dumping of excessive supplies on the Nation-wide and foreign markets, cannot maintain normal carry-overs of cotton, and cannot provide for the orderly marketing of cotton in interstate and foreign commerce.

"It is in the interest of the general welfare that interstate and foreign commerce in cotton be protected from the burdens caused by the marketing of excessive supplies of cotton in such commerce, that a supply of cotton be maintained which is adequate to meet domestic consumption and export requirements in years of drought, flood, and other adverse conditions as well as in years of plenty, and that the soil resources of the Nation be not wasted in the production of excessive supplies of cotton.

"The provisions of this Part affording a cooperative plan to cotton producers are necessary and appropriate to prevent the burdens on interstate and foreign commerce caused by the marketing in such commerce of excessive supplies, and to promote, foster, and maintain an orderly flow of an adequate supply of cotton in such commerce."

* * * * * * *

"Sec. 385. The facts constituting the basis for any Soil Conservation Act payment, parity payment, or loan, or the amount thereof, when officially determined in conformity with the applicable regulations prescribed by the Secretary or by the Commodity Credit Corporation, shall be final and conclusive and shall not be reviewable by any other officer or agency of the Government."

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"Sec. 389. The Secretary is authorized and directed to provide for the execution by the Agricultural Adjustment Administration of such of the powers conferred upon him by this Act as he deems may be appropriately exercised by such Administration; and for such purposes the provisions of law applicable to appointment and compensation of persons employed by the Agricultural Adjustment Administration shall apply."

APPENDIX B.

EXTRACTS FROM EVIDENCE.

Statement of G. E. Rathell, the director of the cotton division of the Commodity Credit Corporation (R. 44-48).

"Commodity Credit Corporation was created and funds have been made available to it for the purpose of aiding producers of agricultural commodities. The cotton loan programs conducted by the Corporation have been restricted to cotton producers, and only persons who produced the cotton tendered for loan, as landlord, tenant or sharecropper, were eligible for a loan.

"The 1938-1939 Cotton Loan Program conducted by the Corporation contained this provision that only the producer could obtain a loan and only on the security of the particular cotton produced by him. In addition to the general policy of the Corporation to restrict such loans to producers, this requirement was dictated by the fact that this loan program was instituted pursuant to Section 302 (c) of the Agricultural Adjustment Act of 1938 (7 U. S. C. 1302 (c)), which directs the Corporation to make loans to 'cooperators' and 'non-cooperators' under certain circumstances, 'cooperator' being defined as a producer who has stayed within the farm acreage allotment established for his farm. Very plainly, therefore, the Congressional purpose in making these loans available was to aid producers of cotton.

"To permit the producer to be divested of his interest immediately after the loan is obtained from the Corporation would tend to defeat the Congressional purpose almost as much as making loans available to persons other than producers. For this reason the Corporation found it necessary to discourage any action which would divest the producer of his interest in the cotton under the loan until such time as it was desired to remove the cotton from the loan.

The cotton producer's note and loan agreement under which these loans were made was so drawn that the producer did not retain a freely assignable interest in the pledged commodities. Evidence of this is the provision that any sales proceeds or insurance proceeds received by the Corporation shall, after deduction of the loan, plus charges and interest, be paid to the producer or his personal representatives 'without right of assignment or substitution of any other party.' This provision is necessarily inconsistent with the retention by the producer of a right to make a legally binding assignment of his remaining interest in the pledged cotton.

"The Corporation adopted the policy of permitting the redemption of cotton by persons holding purported assignments of the producer's equity in the commodity under loan, but it has never recognized any binding liability to the purchasers of such 'assignment' other than to permit such persons to redeem the commodity from loan where it was still held by the Corporation.

"The Corporation was of the opinion that its policy in refusing to recognize any legal liability to the 'assignees', while at the same time permitting such persons to redeem the cotton from the loan when the cotton had not been previously disposed of, would offer the producers an easy means to realize upon their interests in pledged cotton through the sale of 'assignment' (thus making it unnecessary for an individual producer to obtain the funds with which to repay his loan before a sale of the cotton), and at the same time would force purchasers of such documents to delay the purchase until there was an immediate intention of redeeming the cotton from the loan (thus preventing speculators from divesting the producers of their interests in loan cotton long prior to redemption, and thus preventing use of the loan program as a cheap means of speculation).

"The Corporation discovered that the policy then in force did not, in fact, discourage the purchase of the producer's interest in loan cotton, even where the purchaser had no intention of redeeming such cotton from the loan within a reasonable time. In order to correct this situation, and to provide a uniform procedure the Corporation prepared and issued C. C. C. Cotton Form R for use by those who desired to purchase from the producer the power to redeem commodities held under loan. These forms stated that they must be presented within 15 days after execution by the producer and contained a request for the release of the pledged cotton. By use of this form, the Corporation was assured that the producer's interest in pledged cotton would not be divested more than a short time prior to redemption of the cotton from the loan.

"On April 3, 1940, the Corporation issued a press release, giving notification of its intention to require the submission of a request for the release of cotton under loan to any person other than the producer on a standard form printed and provided by the Corporation, where such requests were received after July 31, 1940. Under the terms of this press release, persons holding purported assignments from producers were given a period of practically four months within which to execute the power to redeem granted in such documents. Because of the policy pursued in the past by the Corporation, it might be held to have undertaken an equitable obligation to the holders of attempted assignments to make no change in such policy without reasonable notice. Even should the Corporation be considered as having undertaken this obligation, it amply discharged it by the notification to interested persons that it would continue to permit redemption of the cotton by persons presenting such forms prior to July 31, 1940.

"The press release of April 3, 1940, was approved prior to its issuance by the officers of the Commodity Credit Cor-

poration and by the Secretary of Agriculture. The press release, has, therefore, a dual nature, being both the official act describing the regulation and the public announcement. C. C. C. Cotton Form R is the form which was prepared by the Corporation in accordance with the terms of the press release of April 3, 1940. The form itself and the requirements for the release of cotton contained therein were approved on behalf of the Corporation by myself as Director of the Cotton Division and by the Vice President of the Corporation, Mr. John D. Goodloe."

Extracts from letter of J. B. Hutson, President of Commodity Credit Corporation (R. 102-105).

"The terms of the Loan Agreement under which the cotton referred to you was pledged to the Commodity Credit Corporation are such that the producer does not retain a right of assignment which the Corporation is legally bound to recognize. The Corporation, in so drawing its loan instruments, was giving recognition to the Congressional purpose in establishing the cotton loan programs—namely, to provide a means whereby the producer could be assured the benefit of improved prices while the cotton remained under loan.

"While not recognizing any legal liability to persons taking so-called assignments of the producers' equity, the Corporation did permit the holders of such instruments to redeem the cotton upon paying the amount outstanding upon the loan where the cotton was still available. The so-called assignments were recognized simply as requests by the producer for the release of the cotton to the 'assignee.'

"The Corporation believed that the fact that the Corporation undertook no legal liability to such 'assignees' would prevent persons from purchasing such instruments unless

they intended the immediate redemption of the cotton from the loan and that under these circumstances the recognition of the so-called assignments as requests by the producers of the release of the cotton would be in the interest of the producer since it would provide an easy means for the producer to realize upon an increase in the value of the pledged cotton at the time he desired to terminate the loan.

"Having discovered, however, that a large number of purported assignments were being purchased for a nominal consideration for speculative purposes by cotton brokers and others who had no intention of redeeming the cotton from loan within a reasonable time, despite the fact that they had no assurance that the Corporation would recognize their requests for the release of the cotton, the Corporation prepared and issued CCC Cotton Form R. Under the terms of this form, the Corporation recognizes the purchaser's interest in the cotton and right to redeem the same from loan, provided the form is properly executed and is presented to the Corporation within 15 days with a request for the immediate release of the cotton.

"The Corporation issued a press release on April 3, 1940, to which wide publicity was given throughout the Cotton Belt, announcing that, after July 31, 1940, it would recognize requests for the release of cotton under loan by persons other than the producer only when such request was on a properly executed CCC Cotton Form R. The latter date represented the maturity date of all outstanding cotton loans held by the Corporation. Under this procedure, persons holding 'assignments' were given a period of almost four months within which to redeem the cotton in which they asserted an interest. The Corporation's extension of the loans for an additional year was grounded upon the producer's interest in the pledged cotton being safeguarded in accordance with this procedure, since the Corporation could justify an extension of the loan only in

the event that the producer was assured the benefits of any increase in price.

"Since any document purporting to transfer to you all the producer's right, title, and interest in cotton, was subject to the terms and conditions of the agreement under which the cotton was pledged to Commodity Credit Corporation, you are not, of course, in a position to require the Corporation to recognize your right to redeem the pledged cotton from loan upon the basis of the purported assignments of January 2, 1940."

APPENDIX C.

Mississippi Code 1930, Section 3347.

"3347. Sale of Personal Property.—A contract for the sale of any personal property, goods, wares, or merchandise, for the price of fifty dollars or upward, shall not be allowed to be good and valid unless the buyer shall receive part of the personal property, goods, wares and merchandise, or shall actually pay or secure the purchase-money, or part thereof, or unless some note or memorandum, in writing, of the bargain be made and signed by the party to be charged by such contract, or his agent thereunto lawfully authorized."

Mississippi Code 1930, Section 3521.

"3521. Rights of Person to Whom a Receipt Has Been Negotiated.—A person to whom a negotiable receipt has been duly negotiated acquires thereby:

"(a) Such title to the goods as the person negotiating the receipt to him had or had ability to convey to a purchaser in good faith for value, and also such title to the goods as the depositor or person to whose order the goods were to be delivered by the terms of the receipt had or had ability to convey to a purchaser in good faith for value, and

"(b) The direct obligation of the warehouseman to hold possession of the goods for him according to the terms of the receipt as fully as if the warehouseman had contracted directly with him."

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IN THE

Supreme Court of the United States

No. 411

JOE A. MAY AND LEE MAY,
Petitioners,

versus

JNO. M. PARKER COMPANY, INC.,
Respondent.

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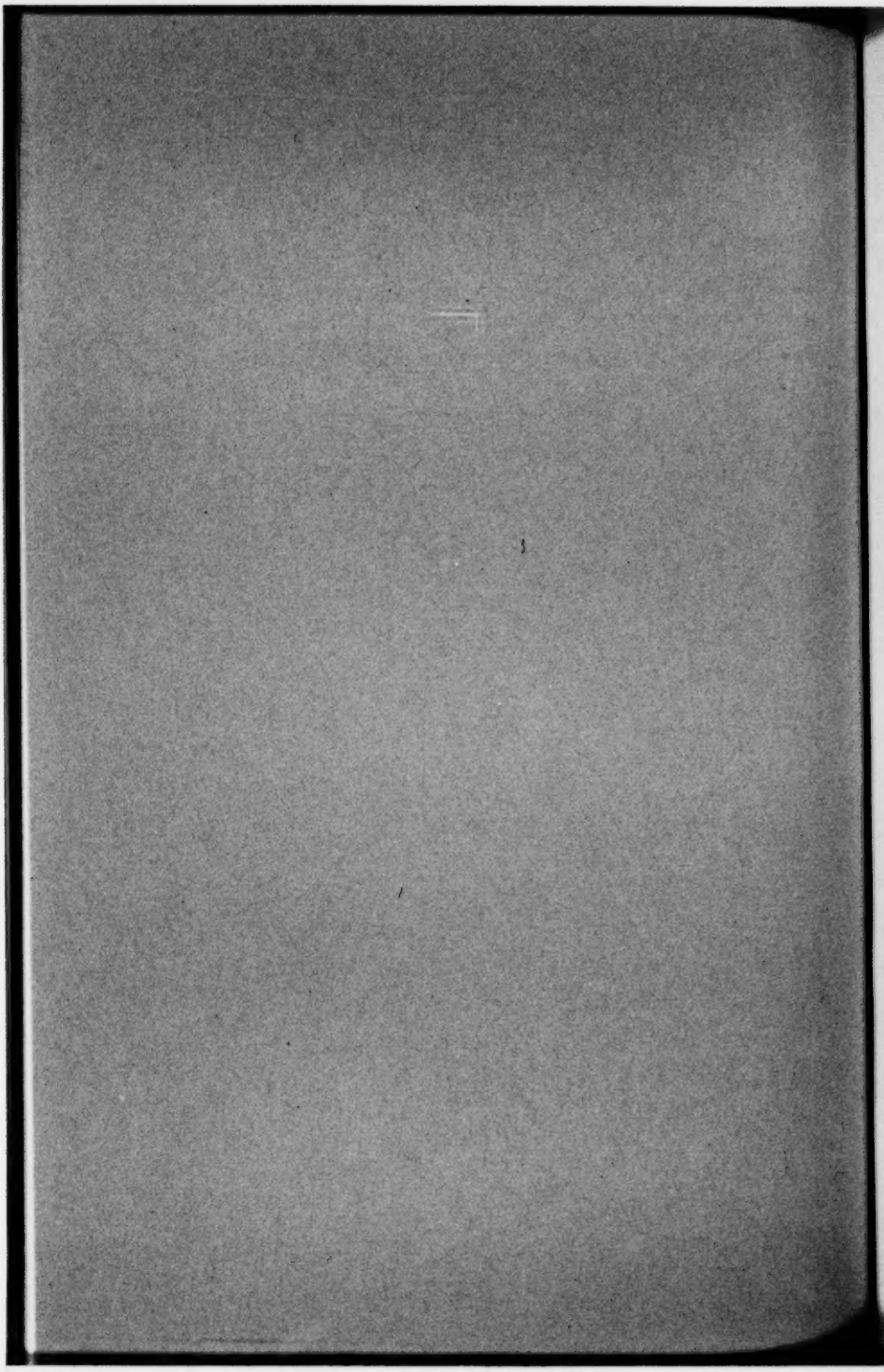
HAUSER PRINTING CO., INC., NEW ORLEANS



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